ILLINOIS BUSINESS REVIEW

A MONTHLY SUMMARY OF BUSINESS CONDITIONS FOR ILLINOIS

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HIGHLIGHTS OF BUSINESS IN DECEMBER

The volume of industrial production at the end of 1951 was at much the same level as at the end of 1950, when it stood at 220 percent of base-period production in December. With the lag in military production, consumer goods output during the year fared much better than anyone had hoped at its beginning, with both hard goods and soft goods in plentiful supply. The 5.3 million passenger cars produced in 1951 amounted to only four-fifths of the record 1950 output but, with consumers buying in moderation, proved sufficient to satisfy the demand.

Employment Down

The number of civilians at work in December declined 300,000 to 61.0 million, as a sharp drop in farm employment caused by severe weather conditions more than offset a slight increase in nonfarm employment. Heavy demand for help in the Christmas shopping season brought unemployment down 8 percent to 1.7 million, almost a postwar low.

The principal change in the labor force over the past year has been a decline of almost 600,000 in the number of unemployed, accompanied by a slightly greater rise in employment. Almost all the increase in employment has been in the nonagricultural sector. The total civilian labor force now numbers 62.7 million, about the same size as at the end of 1950.

Wholesale Prices Steady

A decline of 0.3 percent during December brought the Bureau of Labor Statistics index of wholesale prices at the end of last year to much the same level as at its beginning — just a little more than 77 percent above the 1926 base-period level. Sharply higher prices for grains and foods, up 7.7 and 5.8 percent, respectively, were mainly offset for the year by a 7 percent decline in textile prices. For a longer-run view of price movements, see the special article on page 8.

Consumer prices, on the other hand, continued to rise. The consumers' price index was up 0.6 percent in the month ended November 15, 1951, to 188.6 percent of the 1935-39 average, largely because of an increase of almost 10 percent in the prices of fresh fruits and vegetables. In December, however, food prices may have leveled off, judging by a reported decline of 1.2 percent in grocery store prices between November 26 and December 15.

Interest Rates Rise

The cost of borrowing is going up. The need for funds to finance rearmament and business expansion programs has created an almost unprecedented demand for loans so that, despite the ever-increasing amount of bank deposits and resources, bankers are able to find a ready market for their funds. Partly as a result of this factor, the rate on some long-term loans by the end of the year was as high as 3.7 percent as compared with about 3 percent a year ago.

The Federal Reserve Board has also been instrumental in the rise in interest rates, hoping that this will serve to check the rise of the money supply and thereby reduce inflationary pressures. The Board exerted pressure by ceasing to purchase short-term U. S. securities from the banks. This forces banks to borrow money directly from the Federal Reserve Banks, the present charge for which is 1¾ percent instead of the 1½ percent on government securities. Having to pay more for the money themselves, the banks are led to increase their own interest charges to maintain revenues, and this raises the cost of the loans to business. By tactics such as these, the Federal Reserve hopes to prevent commercial loans of banks from rising much above the year-end level of $21.5 billion.

Construction in 1951

Final figures for the year reveal that nearly $30 billion of new construction was put in place during 1951. This amount exceeds the 1950 figure by 7 percent. Greatly increased public outlays for military construction, defense plants, and schools more than compensated for a 15 percent decline in private home building. Despite this decline, over one million new homes were started in 1950.

Total private outlays on new construction aggregated $20.8 billion, the same amount as in 1950. This total, however, conceals a pronounced downward trend during the year as building restrictions began to take effect, with private construction expenditures 12 percent below end-1950 levels. Public outlays in 1951 exceeded the 1950 total by 27 percent, with military construction expanded sixfold and defense plants fourfold.

Despite the larger dollar outlays in 1951 there was no over-all increase in the physical volume of new construction put in place in 1951. The additional amount spent was absorbed by higher construction costs.

HIGHER PRICE LEVEL NOT INEVITABLE · · By Ruth Birdzell · · Page 8

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Allocating the World's Materials

Ten years ago Churchill, as wartime Prime Minister, met President Roosevelt on shipboard to hold a series of personal talks from which the Atlantic Charter emerged. Among its provisions was one giving all States "access on equal terms, to the raw materials of the world which are needed for their economic prosperity."

It is significant that the problems of materials supply, and their repercussions in various parts of the world, should again be among the high policy issues discussed when Churchill recently came to Washington for a new series of talks with President Truman.

Putting Our Own Needs First

During the war that intervened, and to a lesser extent in the postwar period of growing hostility, we invoked measures of economic warfare to undermine the power of our enemies. One of the devices used was preclusive buying of the materials needed for their industrial operations.

After the outbreak of the Korean War, similar action was in effect taken against Allies as well as enemies, though this resulted accidentally rather than with deliberate intent. What happened was that we bought up everything in sight, sharply reducing the supplies available for anyone else. The seriousness of this action for our European Allies can be realized only by considering how heavily dependent most of them are on imported materials.

Although the war program was being stepped up sharply in the latter part of 1950, much of our buying was for inventory rather than for current use. In a panic to cover possible future as well as current needs, the government vigorously pushed its program for stockpiling critical materials. Accumulation of materials for strategic stockpiles had been allowed to lag seriously, as no appropriations were made for stockpiling in 1949, when supplies were readily available. Now, an effort was made to remedy past deficiencies as well as push ahead more rapidly. In some cases, it was proposed to purchase and put away as much as half the world's supply, though the implication of this would have been to cut civilian use below the point of severest wartime restriction. Large requirements for wool, which had not been a stockpiling item several months before, were added to the procurement schedules.

The buying surge was not confined to government. Consumers began to hoard some items. Business made a rush to protect itself against shortages and rising prices.

With the short view dominating our foreign trade, imports soared, and so did prices. In the months of frantic buying, the price of wool was bid up from $1.70 a pound to $3.80; rubber from $0.28 a pound to $0.87; tin from $0.77 to $1.83.

Conflict with Suppliers over Prices

There followed the inevitable reaction. Steps had to be taken to prevent unrestricted bidding for limited supplies. First, importing of natural rubber was restricted to a government agency; later, tin also was placed under centralized procurement. After the worst of the pressure was over, in March, 1951, international arrangements were made to allocate available supplies through a voluntary conference of producing and consuming nations known as the International Materials Conference (IMC).

At the peak of the stratospheric price rise, Congressional committees began to raise questions about the payment of exorbitant prices. With responsibility centralized, these questions were definitely pointed. It was suggested that the United States should use its power as the biggest buyer of materials, and by the same token the biggest source of income to producing countries, to prevent its treasury from being raided by the sellers. In the summer, a new agency, the Defense Materials Procurement Agency, was set up to coordinate government buying activities.

Withholding of purchases was successful in bringing down the prices of some commodities, particularly nondurables like wool and rubber. Wool dropped back from $3.80 to $1.70 a pound; rubber from $0.87 to $0.52. Here, policy was reinforced by trends towards self-sufficiency based upon production of improved synthetic fibers and rubber. With the inventory letdown in the latter half of 1951, pressure on these prices was dissipated.

With respect to other commodities, success has been less marked. Prices have generally stabilized and sometimes even come down, but savings tend to be nominal because offerings have dried up, so that adequate supplies are not forthcoming at the reduced prices. The government has had to dip into strategic stores of copper and lead three times this year — to the extent of 55,000 tons of copper and 30,000 tons of lead. Tin inventories are also nearing exhaustion; and there is a growing controversy among government agencies as to whether we should dip into stockpiles of that metal also.

Faced with a buying monopoly, supplying countries have in turn attempted to organize selling, if not already organized, with governments supporting private producers to the fullest. Thus develops a kind of battle of the giants. At present, there is an impasse over the price of tin. We are offering $1.12 a pound for tin. The Bolivians are asking $1.50 a pound. In effect, they represent the entire tin cartel, composed of British, Dutch, Belgian, and Bolivian corporations, because there is no reason for the others to take less than we are willing to pay for high-cost Bolivian tin. These monopolists were led to believe by our earlier purchasing that their tin would be worth the peak price in the absence of monopolistic buying; so they continue to hold out and our supplies are dwindling.

(Continued on page 6)

Bus. Aug. 52

THE BILLION DOLLAR SOAP INDUSTRY

The United States is the world's greatest producer, consumer, and exporter of soap. Manufacturers' sales of soap and its by-product, glycerin, increased more than threefold between 1939 and 1947, when they totaled $1,085 million. Not included in this figure was the $200 million sales volume of synthetic detergents, which were reported as a separate industry.

Although usually thought of in terms of personal cleanliness and household tasks, soap plays a vital role in many industries. The main components of synthetic rubber are combined in great vats of a soapy solution. Rubber for automobile tires is vulcanized in molds coated with soap to keep the tires from sticking.

Other industrial processes using soap as a lubricant include rolling aluminum, tin, and lead foils, and drawing the small wires used in telephone systems. Used as a polish in the jewelry trade, it also holds rust preventatives in suspension in antifreeze solutions, softens shoe leather, and scours the grease from wool.

The Industry in Illinois

The 19 Illinois plants manufacturing soap and glycerin during 1947 had a product value of $105 million, a total exceeded only in Ohio and New Jersey. The State had the second largest number of workers in the industry, with 3,263 employees out of a national total of 27,000. Illinois plants averaged 170 workers, compared with a national average of 110.

A basic factor in the prominence of the industry in Illinois has been the abundant supply of inedible animal fats at the Chicago stockyards. The first step in the disposal of packing-house waste used to be to put all the inedible parts of the animals except the hides and wool into a tank and "cook" them under high steam pressure. The fat came to the surface and was drawn off to be used principally in soapmaking, while the nonfat portion was dried and sold as fertilizer.

Many packers started producing soap during the early 1900's to utilize their inedible tallow and grease. Today, although scientific methods of recovery yield a great variety of by-products, soapmaking is one of the most important adjuncts to the packing industry. Both Armour and Swift are among the leading soap manufacturers in the State. Other well-known Illinois producers include Procter and Gamble, Wrisley, and Fitzpatrick Brothers, makers of Kitchen Klenzer.

Production Processes

The manufacture of soap basically consists of the breaking down of fats and oils into fatty acids and glycerin by boiling them with an alkali, a process in which the fatty acids join with the alkali to form soap.

A century ago most homes depended on one all-purpose soap made in the spring from grease saved from cooking and the wood ashes from fireplaces. When hot water was poured through the ashes, the hard-working housewife obtained a potash alkali which she boiled with the fat to get a harsh and stringy soap.

Soapmakers today employ large-scale processes similar to the old-fashioned method with tallow and grease as their primary source of fat, supplemented by vegetable oils such as coconut, palm, and olive oil.

The fats are mixed and boiled with an alkali solution in two-story vats holding up to 175 tons of soap. When additional amounts of salt are added the soap separates from the glycerin, which settles to the bottom. A sirupy red liquid, the glycerin is then distilled and bleached for use in hundreds of industries, including the manufacture of medicinals, cosmetics, and food products. The bulk of the glycerin used in making explosives is supplied by the nation's soap factories.

After it leaves the vats the melted soap is formed into whatever end product is desired. In order to make an all-purpose bar soap, the hot mixture is whipped into a creamy mass, poured into half-ton iron molds or "frames" to be aged for several days, and then cut into cakes and stamped with lettering. High-grade perfumed toilet soaps are not "frame" soaps but are "milled," or kneaded, by heavy rollers into thin ribbons which are forced out of a nozzle as a compact cylinder ready to be cut and shaped.

In making flakes, warm flowing soap is rolled into a thin film which is cut into ribbons and broken into small flakes. Quick-dissolving granulated soaps, first produced about 20 years ago, are made by spraying molten soap into the top of a giant eight-story tower. As it falls in a fine mist, the soap spray is dried into the familiar granules by heated air.

Soaps vs. Synthetics

The methods and raw materials used in producing synthetic detergents are entirely different from those of soapmaking. The majority are based on petroleum products or coal-tar derivatives such as naphthalene, although some synthetics are made from the hydrogenation of acids and fats and oils.

In contrast to the 20-century history of soap, 20-year old synthetic detergents have had an amazingly rapid development. The combined consumption of soap and detergents averaged 29 pounds per civilian during 1946-1950, compared with 26 pounds in 1935-1939. Civilian consumption of soap alone, however, averaged less during the past two years than in any year since 1921.

Sales of synthetics, on the other hand, went up from less than 1 pound per capita in 1942 to 8 pounds in 1950. Consumption was estimated at 1,200 million pounds in 1950, one-fourth of the total for soap and synthetic detergents combined. They compete primarily in the field of granulated soaps, which represented almost 40 percent of the total quantity of soap made in 1947.

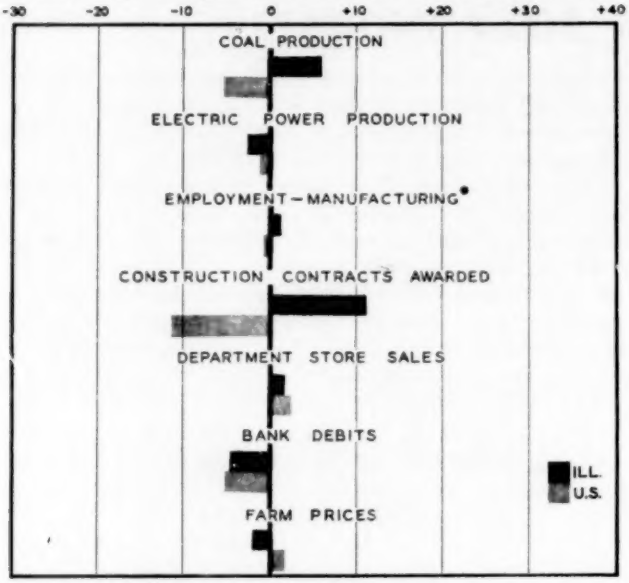
It is expected that during the next few years sales of synthetics will increase to 2 million pounds and further reduce the nation's production and consumption of soap, still another example of the successful invasion of synthetics in a well-established field.

KNOW YOUR STATE

STATISTICAL SUMMARY OF BUSINESS ACTIVITY

SELECTED INDICATORS

Percentage changes October, 1951, to November, 1951



*September, 1951, to October, 1951

ILLINOIS BUSINESS INDEXES

Item	November 1951 (1935-39 =100)	Percentage Change from October 1951	Percentage Change from Nov. 1950
Electric power[1]	318.9	− 2.6	− 0.1
Coal production[2]	134.6	+ 6.0	− 4.5
Employment—manufacturing[3]	n.a.	+ 1.2[a]	+ 1.0[b]
Payrolls—manufacturing[3]	n.a.	....	....
Dept. store sales in Chicago[4]	245.6[c]	+ 3.5	+ 2.5
Consumer prices in Chicago[5]	194.3[d]	+ 0.4	+ 7.6
Construction contracts awarded[6]	504.9	+11.3	+22.7
Bank debits[7]	354.3	− 4.7	+ 9.5
Farm prices[8]	271.0	− 2.0	+11.0
Life insurance sales (ordinary)[9]	217.7	+ 3.2	+11.8
Petroleum production[10]	218.4	− 6.0	− 0.9

[1] Fed. Power Comm.; [2] Ill. Dept. of Mines; [3] Ill. Dept. of Labor; [4] Fed. Res. Bank, 7th Dist.; [5] U. S. Bur. of Labor Statistics; [6] F. W. Dodge Corp.; [7] Fed. Res. Bd.; [8] Ill. Crop Rpts.; [9] Life Ins. Agcy. Manag. Assn.; [10] Ill. Geol. Survey.
[a] September to October, 1951. [b] October, 1950, to October, 1951. [c] Seasonally adjusted. [d] New series. Old series index for November was 195.4. n.a. Not available.

UNITED STATES MONTHLY INDEXES

Item	November 1951	Percentage Change from October 1951	Percentage Change from Nov. 1950
	Annual rate in billion $		
Personal income[1]	256.7	− 0.3	+ 8.6
Manufacturing[1]			
Sales	272.4[a]	+ 0.4	+10.7
Inventories	41.4[a, b]	0.0	+28.6
New construction activity[1]			
Private residential	11.0	− 2.7	−18.8
Private nonresidential	9.3	− 9.5	+ 0.8
Total public	9.8	−12.8	+22.9
Foreign trade[1]			
Merchandise exports	16.6	+20.0	+41.7
Merchandise imports	9.8	−1.8	−4.2
Excess of exports	6.8	+76.3	−54.2
Consumer credit outstanding[2]			
Total credit	20.0[b]	+ 2.1	+ 3.0
Installment credit	13.2[b]	+ 0.4	− 0.4
Business loans[3]	20.9[b]	+ 1.4	+22.8
Cash farm income[3]	n.a.	.....	.....
	Indexes (1935-39 =100)		
Industrial production[2]			
Combined index	218[a]	0.0	+ 1.4
Durable manufactures	275[a]	+ 0.4	+ 5.8
Nondurable manufactures	188[a]	0.0	− 4.6
Minerals	171[a]	− 1.7	+ 6.9
Manufacturing employment[2]			
Production workers	162[a]	− 0.2	− 1.2
Factory worker earnings[4]			
Average hours worked	107	− 0.2	− 2.0
Average hourly earnings	271	+ 0.3	+ 6.9
Average weekly earnings	291	+ 0.1	+ 4.8
Construction contracts awarded[5]	394	−11.4	−14.3
Department store sales[2]	311[a]	+ 2.6	+ 7.2
Consumers' price index[4]	189[c]	+ 0.6	+ 6.9
Wholesale prices[4]			
All commodities	221	+ 0.1	+ 3.8
Farm products	257	+ 1.5	+ 6.3
Foods	239	− 0.3	+ 7.8
Other	206	+ 0.1	+ 2.0
Farm prices[3]			
Received by farmers	281	+ 1.7	+ 9.0
Paid by farmers	227	+ 4.4	+11.4
Parity ratio	106[d]	+ 1.0	+ 1.0

[1] U. S. Dept. of Commerce; [2] Federal Reserve Board; [3] U. S. Dept. of Agriculture; [4] U. S. Bureau of Labor Statistics; [5] F. W. Dodge Corp.
[a] Seasonally adjusted. [b] As of end of month. [c] New series 188.6; old series 189.3. [d] Based on official indexes, 1910-14 = 100. n.a. Not available.

UNITED STATES WEEKLY BUSINESS STATISTICS

Item	1951					1950
	Dec. 29	Dec. 22	Dec. 15	Dec. 8	Dec. 1	Dec. 30
Production:						
Bituminous coal (daily avg.) thous. of short tons	1,554	1,783	1,912	1,874	2,024	1,907
Electric power by utilities mil. of kw-hr.	6,922	7,824	7,667	7,444	7,476	6,479
Motor vehicles (Wards) number in thous.	35.2	102.8	111.4	112.5	112.8	127.0
Petroleum (daily avg.) thous. bbl.	6,112	6,115	6,136	6,134	6,159	5,691
Steel 1935-39 = 100	227.1	234.9	233.1	232.0	232.9	216.3
Freight carloadings thous. of cars	502	672	753	774	822	602
Department store sales 1935-39 = 100	263	656	613	550	464	237
Commodity prices, wholesale:						
All commodities 1926 = 100	177.3	177.0	177.1	177.1	177.7	177.0
Other than farm products and foods 1926 = 100	165.5	165.6	165.6	165.5	165.2	167.8
28 commodities August, 1939 = 100	328.7	328.3	327.2	328.7	326.5	367.6
Finance:						
Business loans mil. of dol.	21,593	21,442	21,219	21,006	20,865	17,839
Failures, industrial and commercial number	163	117	143	136	148	125

Source: *Survey of Current Business, Weekly Supplements.*

RECENT ECONOMIC CHANGES

Steel Production Remains High

Steel production continued high during December. The average weekly rate of production was 103.5 percent of estimated capacity, the equivalent of 2,069,000 tons weekly. Even the holidays failed to cut operations below 100 percent of rated capacity. Automotive production also rose a little during the first three weeks of December, when output averaged nearly 110,000 cars and trucks weekly. A combination of holiday closings and exhaustion of quotas cut production for the last week of December to less than 36,000 vehicles.

Steel production for the year totaled about 105 million tons, the first time output has exceeded 100 million tons. Automotive production during 1951 reached an estimated 6.7 million vehicles, considerably below but second only to 1950's total of 8.0 million. The entire cut appeared in passenger car output, which dropped from more than 6.6 million to 5.3 million. Truck production rose from 1.3 million vehicles to 1.4 million.

Scrap Shortages Serious

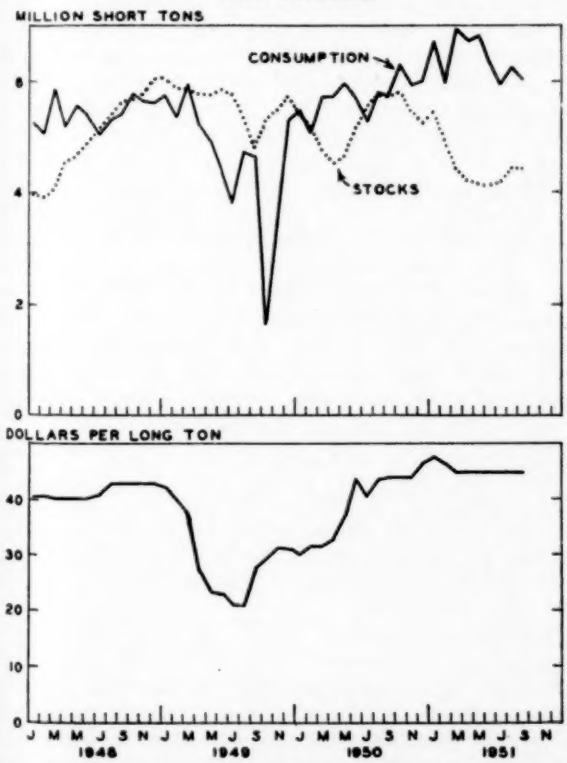
For the past few months, supplies of steel scrap have become a matter of increasing concern to steel producers. Without more adequate supplies of scrap, the present high rate of steel production is bound to fall. As shown in the accompanying chart, consumption has been on a high level since mid-1950 despite monthly ups and downs; stocks, on the other hand, have shrunk seriously.

By October, it was apparent that supplies would be tight over the winter months as collections and shipments were hindered by inclement weather. And by the end of December, many steel mills had only a few days' inventories, in contrast to several weeks' stocks as they would have preferred. Under the impact of the higher demand, prices of scrap more than doubled between mid-1949 and early 1951, but in more recent months they have been held steady by controls, at least nominally.

About 36 million tons were required to turn out 1951's 105 million tons of steel; for the 1952 goal of 110 million tons of steel, 38 million tons of scrap will have to be supplied to the steel companies.

Scrap shortages of nonferrous metals have attracted less attention, but they are considered no less serious. Copper, lead, zinc, and aluminum have all been mentioned. It is generally believed that unless the situation improves substantially the projected expansion in metal-producing capacity will have to be reduced, and both military and civilian end products will also be cut.

STEEL SCRAP CONSUMPTION, STOCKS, AND PRICES



Sources: Bureau of Mines; Bureau of the Census; Bureau of Labor Statistics.

Nonfarm Employment Rise

Nonagricultural employment rose during December to 54.6 million. Much of the rise was attributed to increased hiring to take care of the holiday trade. A seasonal decrease in farm work more than offset the nonfarm gain, so that total employment dropped slightly. Unemployment was down again and was close to the postwar low. Bureau of Census data, in thousands of workers, are as follows:

	December 1951	*November 1951*	*December 1950*
Civilian labor force	62,688	63,164	62,538
Employment	61,014	61,336	60,308
Agricultural	6,378	7,022	6,234
Nonagricultural	54,636	54,314	54,075
Unemployment	1,674	1,828	2,229

Capital Expenditures Continue at Peak Rate

Recent Department of Commerce-Securities and Exchange Commission data indicate that business expenditures for plant and equipment are continuing at their record-breaking pace. For the first quarter of 1952, total outlays are estimated at $5.7 billion, higher than in any previous first quarter. Of the total, manufacturing concerns account for more than $3.0 billion.

A new series on manufacturing expenditures developed by the two agencies shows that only those industries producing directly and indirectly for defense are continuing to expand; nondefense industries are generally cutting back on their capital expenditures. Capital outlays by makers of transportation equipment (excluding motor vehicles) during the second half of 1951 were up 140 percent over the first half; outlays by producers of primary nonferrous metals and primary iron and steel rose 92 percent and 77 percent, respectively. Capital expenditure increases by other defense producers ranged from 43 percent for motor vehicles and equipment down to 13 percent for fabricated metal products.

Department Store Indexes Revised

The Federal Reserve Board has revised its indexes of department store sales and stocks. Four substantial changes have been made. The definition of a department store has been changed to take into consideration changes in the dollar volume of sales over the period of the last 10 years or so. Adjustments have been made to reflect the changes indicated by the 1939 and 1948 Censuses of Business. The base period has been moved forward from 1935-39 to 1947-49; and seasonal factors have been revised.

The samples used by the FRB for the two indexes have been reduced somewhat in size, but they are believed to be more representative. Weights have been reassigned the 12 districts according to their postwar importance. The seasonal factor, which has been the subject of debate in recent years, has been altered to reflect postwar developments in consumer buying habits.

Retail Sales Still Lag

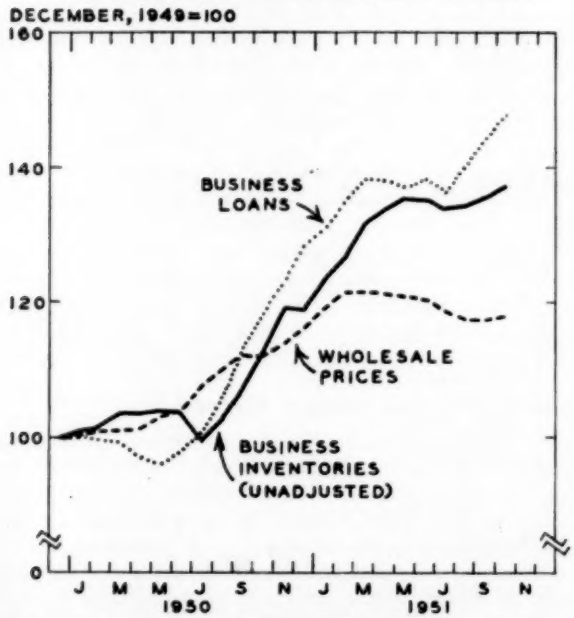
Dollar sales by retail stores totaled $12.6 billion during November, 4.4 percent below the previous month. After adjustment for seasonal variations, sales were off 1.4 percent to $12.4 billion. Nearly all of the decline resulted from a 4.1 percent drop in retail sales of durable goods; nondurable goods remained substantially level. Sales of the automotive group, which account for about one-half of total durables sales, dropped nearly 7 percent to $2.0 billion.

Credit Expanded

Consumer credit and business loans outstanding both advanced in the latest periods reported. Consumer credit was up by $410 million in November to $20.0 billion. By far the greater portion of the month's increase, $338 million, represented expansion of charge accounts.

Bank loans to businesses rose by 3.5 percent during December to $21.6 billion. About half the increase occurred in the New York Federal Reserve District, though all districts except one (Minneapolis) registered sizable rises percentagewise. As shown in the accompanying chart, the increases in business loans and business inventories (unadjusted) remained fairly close together from July, 1950, to July, 1951; but in more recent months business loans have expanded more rapidly. It can be seen from the chart that changes in the comprehensive index of wholesale prices have preceded changes in business loans, which have in turn led movements in inventories.

PRICES, INVENTORIES, AND LOANS



Sources: Bureau of Labor Statistics; Dept. of Commerce; Federal Reserve Board.

Allocating the World's Materials

(Continued from page 2)

Such controversy is by no means confined to tin. The resulting dissatisfaction in supplying countries cannot help but affect our international position. Throughout the world, underdeveloped countries are in ferment, with results well illustrated by current difficulties in Iran and Egypt.

IMC Operations

The hope of handling some of these problems through IMC is that the process of discussion in an international forum might result in reasonable compromises, and even if these compromises are not satisfactory to all, it should at least dispel apprehension and resentment, and thus stabilize international relations along with materials prices. Several of the commodity committees of IMC have produced quarterly allocation plans, beginning with the third quarter of 1951. These plans cover such commodities as copper, zinc, nickel, cobalt, tungsten, molybdenum, and sulfur. Most of them have been duly approved, with some exceptions and reservations by the governments represented.

It is too soon to assess the effects of these plans. Some doubts have been voiced concerning their effectiveness in the absence of enforcement mechanisms. Certainly the incentives to depart from any such plan will in some circumstances be great.

The only long-term proposal worked out by IMC was a four-year plan controlling the price and distribution of tungsten. Approval of this plan was obtained by 13 consuming nations, led by the United States. It was put through over the objections of the producing countries in a stark display of economic power. Rejection of the plan by the producers was met in silence by the consumers, who have formed a trading bloc to control buying and indicate they will not pay more than the price stipulated in the agreement under any circumstances.

Dissatisfaction reigns also over the distribution of sulfur and molybdenum. Both these materials are produced in this country to the extent of about 90 percent of the supply available, so that what we are willing to give is what the other nations get. There has been a tendency here as in other cases to put our own needs first, including the need to keep prices in this country down. In doing this, we present ourselves as the defenders of the "free world" and cite stability in our "free enterprise system" as a key element in the strength of our defenses. One high government official, who in the early months of the Korean War was among the strongest advocates of stockpiling, asserts that we "must attain defense and at the same time maintain a sound economy; else all we are fighting for is lost."

Perhaps another look would lead to the conclusion that there are other ways of losing all. A former United States member of the IMC warns that our demands for scarce materials are endangering the economies of our allies. He pleads particularly the urgency of sharing our sulfur, because it is essential to the operation of so many industries.

Churchill and Truman have announced that a plan for cooperative handling of materials problems is being worked out. It may be hoped that this plan will deal with such problems in a longer and more stable perspective than any yet displayed, and that the solutions worked out will be real solutions, in the interests of all, and not merely to the advantage of the leading powers. VLB

BUSINESS BRIEFS

PUBLICATIONS AND DEVELOPMENTS OF BUSINESS INTEREST

Financing Small Business

The November issue of the *Survey of Current Business* contains an article on "Financing Small Business in the Postwar Period." It is a brief description of the preliminary findings of a study on business financing made by the Office of Business Economics and covering the 12-month period ended June 30, 1950. Two out of three of the small and intermediate-sized manufacturing and retail trade firms included in the study financed their requirements from internal sources. The majority of small businesses needing outside capital were satisfied with the amount of funds available, and their demands were primarily in the form of borrowed, rather than equity, capital. Banks were the major source of these funds, but other financial institutions, friends, and relatives made up an important auxiliary source of financing. While working capital requirements accounted for the principal share of total demand for outside funds, longer term requirements were also important in the demand picture. Cost of capital funds did not appear to be a deterrent to borrowing. The amount of funds desired but not obtained accounted for roughly $1 billion, or about one-sixth of the total demand.

Porcelain Enamel Finishing Process

A new process for finishing kitchen ranges, refrigerators, and other porcelain enamel products has been developed by the Republic Steel Corporation and the Ferro Corporation of Cleveland. It is expected to broaden greatly the use of porcelain enamels by permitting direct application of a single coat of enamel, eliminating a ground coat or the necessity for using premium steels. A special pickling process producing a sharper etch than the conventional sulfuric acid pickle is used, and the crux of the new process lies in a nongalvanic nickel deposition process which provides the rough surface needed to give the steel the required adhesion. The one-coat finish is only half as thick as ordinary porcelain enamel coating. Products enameled in this way can be bent, drilled, sheared, and sawed with clean edges. Surface, reflection, and color qualities are equal to conventional finishes.

Technical Aid to Industry

The vast outflow of reports on technical and scientific research produced at government cost is a stockpile of technical and scientific know-how in which private industry can pick up many valuable suggestions for new products, new processes, and improvements in present industrial techniques. The Office of Technical Services (Library Division) of the Department of Commerce catalogues these reports and lists and gives abstracts of the latest acquisitions in a monthly publication, *Bibliography of Technical Reports.* Subscriptions to the Bibliography are $5.00 a year. Inserted in each issue is a four-page Newsletter which highlights the most valuable and immediately applicable technical developments. This Newsletter is also available as a separate publication at the subscription price of 50 cents per year. Sample copies of the Bibliography and the Newsletter will be mailed free to interested parties by the Office of Technical Services, Department of Commerce, Washington 25, D. C.

Rustproofing Compound

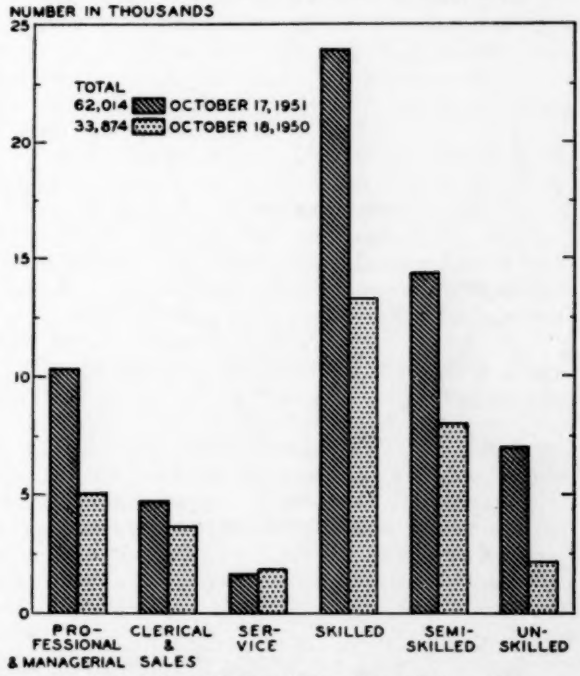
A so-called phosphatizing compound, known as "Rustshield 2" made by Octagon Process, Inc. (15 Bank Street, Staten Island 1, N. Y.) is said to give steel and iron surfaces a rustproof, highly absorbent nonmetallic quality. The company explains that this type of treated steel surface is an effective base for retaining lubricating oils. The product can be applied to rubbing and sliding surfaces of precision parts and bearings of all kinds.

Employment Clearance Openings

The November issue of *The Labor Market,* published by the United States Department of Labor, contains an article discussing the total number of job openings which public employment offices could not fill locally and had to clear through other areas and states. After reaching a peak of 64,000 in June, 1951, clearance openings declined slightly, but, as shown by the chart, the October total of 62,000 was nearly double the number of such openings in October of the preceding year. The greatest increases between 1950 and 1951 occurred in the skilled and semi-skilled classifications, with the only decrease in the service group.

Hard-to-fill jobs in the skilled category have risen by more than 10,000 over the year and on October 17, 1951, accounted for nearly 40 percent of the total number of clearance openings. Greatest local shortages were still for machinists, machine-tool operators, tool-and-die makers, aircraft assembly workers, carpenters, welders, and airplane, auto, railroad, and other types of mechanics and repair men. The number of clearance openings for stenographers and typists bulks large, second only to that for machinists.

RISE IN CLEARANCE OPENINGS



Source: *The Labor Market,* November, 1951, p. 45.

HIGHER PRICE LEVEL NOT INEVITABLE

RUTH BIRDZELL, Research Assistant

Since commodity prices have gained a measure of stability after the initial war-induced spurts, a closer appraisal of recent price movements and levels is now possible.

Postwar prices began to fall late in 1948, as wartime shortages were worked off and the nation's industries completed their readjustments to a peacetime economy. The year 1949 witnessed a postwar low for most prices, with inventories being reduced as a corrective for the previous high rate of accumulation.

Recovery Slow Before Korea

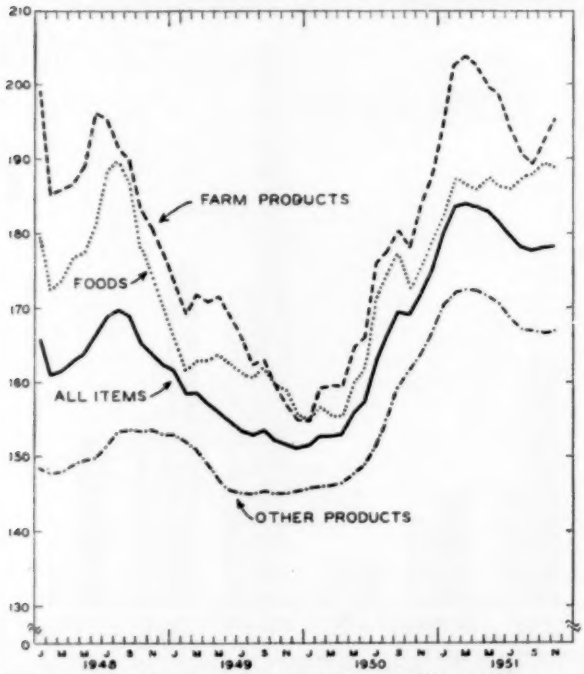
Sensitive commodities in their rise from the 1949 low had advanced 15 percent by June, 1950, when hostilities started in Korea. Advances were general in all subgroups of the BLS index.

The comprehensive index of wholesale prices rose more slowly and by June, 1950, was up only 4 percent from the low. It is much less volatile than the sensitive index, being held steadier by the inclusion of manufactured and semiprocessed articles. Farm products, up a little more than 7 percent, were the chief factor in the recovery. Food prices had risen nearly 5 percent; industrial prices had advanced less than 3 percent. (See Chart 1.)

Prices of retail items showed their customary slower and more limited swings. The BLS consumers' price index, which is generally used as a measure of such prices, covers a broader field than the other indexes, taking in prices of noncommodity items such as rent and services. These noncommodity prices have been rising slowly and steadily throughout the postwar period.

The index dropped only 4 percent from the postwar peak, as a result of declines in prices of foods, apparel, and housefurnishings. Even though recovery started late in 1949, consumer prices showed their usual lag, so that by the time war broke out in Korea, the index had risen but little from the low.

Chart 1. WHOLESALE PRICE MOVEMENTS



Source: Bureau of Labor Statistics. (1926 = 100)

A Period of Sharp Increases

When the war started in Korea the picture changed drastically. Instead of foodstuffs pacing the rise in basic commodities, industrials took the lead. By February, 1951, when the boom ended, prices of sensitive industrial commodities were up 58 percent over the June, 1950, level to 379.5 (August, 1939 = 100). At that point, they were substantially higher than the previous postwar peak. In contrast, farm product and food prices had risen considerably less, 26 and 21 percent, respectively, and remained well under the peaks of January, 1948.

Prices of imported raw materials played an important part in the rise of industrial commodities. Even before Korea, the United States stockpiling program had been an important prop for prices of such items as tin and rubber, but with the coming of war, takings were greatly expanded. Speculation and fear of the outbreak of general war contributed generously to the new scramble for such raw materials. With supplies limited, import prices began to break previous records.

As in the case of basic items, wholesale prices of the larger selection of commodities rose very sharply from June, 1950, to early 1951. By the time the index hit its new peak in March, 1951, it had risen 17 percent over the previous June. In the "all other" category, when the major subgroups reached their respective peaks in early 1951 nearly all had surpassed their earlier postwar peaks by substantial margins. The fuel and lighting materials group, with only a fractional increase, was the chief exception.

After June, 1950, advancing prices in the foods, apparel, furnishings, and miscellaneous categories carried the consumers' price index upward rapidly. By February, 1951, it had risen nearly 8 percent.

Downward Adjustments During 1951

When hostilities settled down to a war of attrition and it began to look as if there would be no spread to other areas, prices also settled. By November, 1951, all groups in the sensitive commodity index had dropped back, so that the index stood at 327.6, some 16 percent below the high-water mark, but still considerably above the pre-Korea level. Even the Iranian crisis in the summer of 1951, with its tinderbox qualities, failed to halt the decline. After the drop, import and industrial prices were about 7 percent over previous postwar highs; other groups were still well below those peaks.

In the 1951 decline in the comprehensive index, farm products and industrial items declined 7 percent and 3 percent, respectively, but foods remained level or rose slightly. Yet, as Chart 1 shows, if allowance is made for the lag in food prices, they are not far out of line with farm prices.

Prices of most of the major subgroups of "other products" had dropped from their early 1951 peaks. Almost without exception, however, prices remained above the previous postwar peaks, in some cases by 10 to 15 percent (chemicals, metals, and housefurnishings).

There have been some notable divergences during 1951. Textile and leather prices fell off considerably. Cotton goods were the chief cause of the slack in textiles; in October, such prices had dropped nearly 20 percent from the early 1951 high and were nearly 12 percent below the previous postwar peak. In contrast, iron and steel prices have not only maintained the early 1951 level but have risen slightly during the year.

The reason for the changes in both cases lies in the nature of recent consumer and defense demands. After the early months of 1951, consumers were saving more at the expense of purchases, so that soft lines like apparel lost ground pricewise. On the other hand, the requirements of defense mobilization held basic metal prices at their high level.

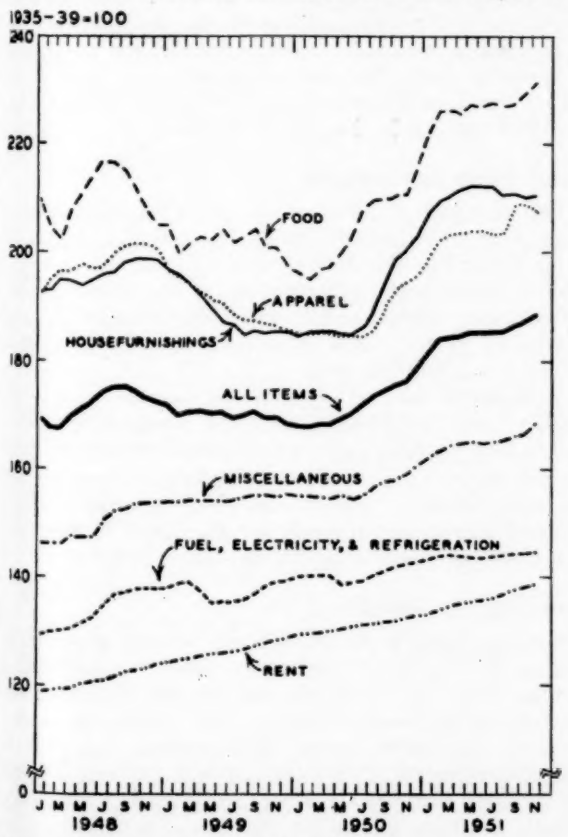
The extreme imbalance in the supply-demand position of the basic metals is shown by Defense Production Administration data. Supplies of alloy steel, brass mill products, copper wire products, and aluminum are sufficient to meet only about half of requirements.

In contrast to the wholesale indexes, the consumers' price index was virtually steady from February to September. Then there was a sizable increase caused chiefly by advances in the prices of foods and miscellaneous goods and services, as shown by Chart 2. By November, the index had reached 188.6 (1935-39 = 100), nearly 11 percent over the pre-Korea level.

Probably the most surprising development in consumer prices has been the maintenance of or increase in apparel prices. Despite the swollen inventories of apparel last summer, clothing prices held steady at the wholesale level between March and October, and at the retail level from March till September. The chief reason for such an apparently contrary development was the clothing industry's acceptance of volume cutbacks rather than lower prices.

In this connection, it is worth noting that there is an important difference between the basic situation and the immediate prospect. Even in such soft goods as textiles and apparel, the basic situation is strong enough so that the industry did not have to make sacrifices to work off inventories; in fact, cost increases were added last summer in the face of declining sales.

Chart 2. TRENDS IN CONSUMERS' PRICES



Source: Bureau of Labor Statistics.

Substantial Increases Not Now in Prospect

A factor whose importance is difficult to appraise was introduced into the price situation last December, when the Office of Price Stabilization was established. The rapid price rise at that time seemed to make controls necessary. In more recent months, it has become evident that the present rate of defense mobilization is not upsetting the civilian economy much, and many prices have been below OPS ceilings. Under these circumstances, OPS has been an unknown quantity, with many controls set up, but only a few items controlled. So far, automobiles have been the chief consumers' durable controlled. Other durables and nondurables have continued in good supply, and demand has been so slack that prices have weakened, as in the case of television sets and tires.

Since late November, there has been much discussion in Washington concerning the proper rate of mobilization. Inasmuch as the present rate and also a large-scale expansion in basic industrial capacity were supported during 1951 without any substantial dislocation, a bigger defense load is advocated. Capacity increases so far have been impressive; and every time capacity is increased, better support for civilian and defense needs is provided.

On the other side of the picture, although consumers have had their fling at scare-buying and are now almost apathetic, this attitude could quickly reverse, putting new pressure on prices. Many declines in prices have also resulted from inventory readjustments which are temporary in nature. When it becomes necessary to rebuild stocks again, as it surely will, another temporary upward surge in prices is likely. Just as developments failed to support the late-1950 price rise, basic conditions of the last few months fail to give reason for the sizable drops which occurred during 1951.

For the future, areas of continued inflationary pressure can be expected. Metals and chemicals will remain in strong demand and short supply, so that prices for these items will stay high and probably go higher than at present. On the other hand, prices of consumer nondurables are currently showing signs of slackness and can be expected to go along on a fairly level plane, perhaps with a slight upward trend.

The long-term position of prices depends greatly on the level of the military program. The present prospect is that the rate of mobilization in 1952 will not be greatly changed from that of 1951. If the rate is stepped up, controls may be tightened to hold prices until the situation again eases. Under the circumstances, large price increases cannot be regarded as at all certain. It is likely that there will be rapid changes, but any such movements are likely to die quickly. On balance, the various influences that can be foreseen will about maintain present levels or carry them a little higher by the end of 1952 in irregular fluctuations. Thereafter, international developments will dominate the picture.

LOCAL ILLINOIS DEVELOPMENTS

Illinois business activity showed mixed trends during November. Coal production, manufacturing employment, department store sales, and construction contracts awarded rose substantially over October. Other indexes, including petroleum and electric power production, declined, as did bank debits and farm prices. The rate of steel operations in the Chicago district increased substantially over the previous month, from 102.4 percent of capacity to 105.4 percent, although actual output was off slightly because of the shorter month. For the first eleven months of 1951, Chicago area steel producers operated at 104.0 percent of capacity and turned out 20.5 million net tons, more than one-fifth of the national total.

Labor Area Classifications

According to the latest classifications, most of the listed areas in Illinois have either a balanced labor supply or a slight excess of the number of laborers over available jobs. As shown by the accompanying chart, the Rock Island-Moline region continues to be an area of tight labor supply, with "current or prospective" shortages of manpower. The nonelectrical machinery, primary metals, electrical machinery, and fabricated metal industries are all pinched for labor in the area. Ordnance labor needs are also high.

MAJOR LABOR AREAS

Source: Illinois Department of Labor.

On the other hand, there is a "current or prospective" substantial labor surplus in the six-county Crab Orchard area. Lessened mining and construction activity and the end of the seasonal fruit harvest combined to cut employment in the region considerably during the two months ended at mid-November. About three-fifths of the workers unemployed at that time were unskilled. It is expected, however, that expanding activity in mining, electrical and nonelectrical machinery, fabricated metals, and apparel industries will cut the number of unemployed. In addition, there is a possibility that a new heavy machine plant will be located in the area and will provide jobs for more workers.

Construction Contract Awards Expand

Construction contracts awarded in the State in November totaled $83.9 million, 11.3 percent over the previous month. Increases of 12.6 percent in nonresidential building contracts and 64.4 percent in public works and utilities awards much more than offset the 7.5 percent decline in the value of residential contract awards. Large expansion programs appear to have postponed the onset of seasonal declines. Moreover, Illinois firms were evidently having little difficulty in obtaining building materials under the government's control program — commercial construction awards rose 58.9 percent over October, and manufacturing building contracts, 104.4 percent.

In comparison with November of 1950, total nonresidential construction contracts had risen by 48.0 percent, whereas residential building, caught in the squeeze of restrictions, was off by 16.6 percent. Total value of construction contracts awarded had advanced 22.7 percent. The 11-month total showed similar, but much smaller, changes. Nonresidential contracts were up by 6.8 percent, but residential were off by 6.2 percent, so that total awards, influenced mainly by the larger nonresidential figure, rose by 3.7 percent.

Mixed Price Movements

The consumers' price index for Chicago continued to rise during the month ended November 15. At 194.3 (1935-39 = 100), the index was 0.4 percent over the previous month and 7.6 percent above the year-ago level. The October 15-November 15, 1951, change reflected rises of 0.7 percent each in prices of foods and miscellaneous goods and services.

Agricultural prices dropped 2.0 percent during the month to 302 (1910-14 = 100), as a result of a 4.2 percent decline in livestock and products. Prices of crops rose 3.1 percent over the month before, with fruits and oil-bearing crops up sharply, but failed to offset the livestock decreases. As a result of the latter decline, the parity ratio dropped from 109 to 106.

More Gas for Illinois

A larger supply of natural gas became available to Illinois users early in December when a new 30-inch pipeline was put into service by the Texas-Illinois Natural Gas Pipeline Company. The 1,417-mile pipeline to Joliet cost an estimated $135 million and took 15 months to complete. It is expected that the new line will have a daily capacity of 374 million cubic feet, raising the total available gas in the Chicago area to 880 million cubic feet daily.

COMPARATIVE ECONOMIC DATA FOR SELECTED ILLINOIS CITIES

November, 1951

	Building Permits[1] (000)	Electric Power Consumption[2] (000 kwh)	Estimated Retail Sales[3] (000)	Department Store Sales[4]	Bank Debits[4] (000,000)	Postal Receipts[5] (000)
ILLINOIS	**$17,031**	**892,481**[a]	**$524,020**[a]		**$11,046**[a]	**$14,090**[a]
Percentage Change from... Oct., 1951	*−29.0*	*+5.4*	*+7.1*	*+11.7*	*−4.7*	*+8.2*
Percentage Change from... Nov., 1950	*−26.7*	*+4.7*	*+5.5*	*+2.3*	*+9.5*	*+7.8*
NORTHERN ILLINOIS						
Chicago	**$13,065**	**693,221**	**$384,966**		**$10,029**	**$12,508**
Percentage Change from... Oct., 1951	*−26.6*	*+5.6*	*+8.1*	*+13.5*	*−3.8*	*+9.4*
Percentage Change from... Nov., 1950	*−21.9*	*+2.6*	*+5.0*	*+2.0*	*+9.6*	*+7.5*
Aurora	n.a.	n.a.	**$7,244**		**$ 44**	**$ 95**
Percentage Change from... Oct., 1951			*+3.6*	*+11.2*	*−7.3*	*+12.2*
Percentage Change from... Nov., 1950			*+6.4*	*+0.1*	*+9.7*	*+3.8*
Elgin	**$ 557**	n.a.	**$5,257**		**$ 30**	**$ 97**
Percentage Change from... Oct., 1951	*+28.3*		*+3.4*	*+11.1*	*+3.8*	*−4.2*
Percentage Change from... Nov., 1950	*+34.2*		*+2.7*	*+7.6*	*+8.9*	*−4.3*
Joliet	**$ 158**	n.a.	**$10,287**		**$ 53**	**$ 83**
Percentage Change from... Oct., 1951	*−62.4*		*+11.2*	*−0.5*	*−2.4*	*+4.6*
Percentage Change from... Nov., 1950	*−12.2*		*+13.2*	*−1.1*	*+17.3*	*+9.7*
Kankakee	**$ 85**	n.a.	**$4,734**		n.a.	**$ 35**
Percentage Change from... Oct., 1951	*−35.1*		*+3.4*	*+1.6*		*−4.9*
Percentage Change from... Nov., 1950	*−78.1*		*+11.0*	*+8.5*		*+8.5*
Rock Island-Moline	**$ 763**	**18,049**	**$10,196**		**$ 38**[b]	**$ 157**
Percentage Change from... Oct., 1951	*−32.6*	*+3.9*	*−0.9*	n.a.	*+1.7*	*−0.9*
Percentage Change from... Nov., 1950	*−40.7*	*+13.4*	*+15.2*		*+29.1*	*+35.5*
Rockford	**$ 477**	**26,197**	**$15,606**		**$ 126**	**$ 170**
Percentage Change from... Oct., 1951	*−43.7*	*+3.9*	*+3.0*	*+12.6*	*−4.0*	*+6.2*
Percentage Change from... Nov., 1950	*−62.1*	*+10.0*	*+8.0*	*+2.2*	*+12.0*	*+9.5*
CENTRAL ILLINOIS						
Bloomington	**$ 22**	**5,565**	**$5,403**		**$ 48**	**$ 100**
Percentage Change from... Oct., 1951	*−88.3*	*+2.0*	*+7.0*	n.a.	*−14.8*	*+1.4*
Percentage Change from... Nov., 1950	*−88.0*	*+12.4*	*+6.4*		*+0.4*	*+26.8*
Champaign-Urbana	**$ 193**	**8,153**	**$7,387**		**$ 52**	**$ 81**
Percentage Change from... Oct., 1951	*+9.6*	*+4.8*	*+2.9*	n.a.	*−18.2*	*−6.0*
Percentage Change from... Nov., 1950	*−13.1*	*+10.9*	*+5.7*		*+10.6*	*−4.4*
Danville	**$ 234**	**8,111**	**$6,082**		**$ 45**	**$ 53**
Percentage Change from... Oct., 1951	*+9.3*	*+13.0*	*+6.7*	*0.0*	*+4.5*	*−10.4*
Percentage Change from... Nov., 1950	*−11.0*	*+15.8*	*+11.6*	*+6.0*	*+11.5*	*+13.3*
Decatur	**$ 156**	**22,943**	**$9,359**		**$ 90**	**$ 92**
Percentage Change from... Oct., 1951	*−76.3*	*+13.8*	*+3.5*	*−1.0*	*−33.6*	*−9.3*
Percentage Change from... Nov., 1950	*−36.1*	*+30.6*	*+6.3*	*−1.1*	*+3.0*	*+15.7*
Galesburg	**$ 461**	**5,843**	**$4,097**		n.a.	**$ 32**
Percentage Change from... Oct., 1951	*+370.4*	*+5.4*	*+3.9*	n.a.		*−1.9*
Percentage Change from... Nov., 1950	*+840.8*	*+20.5*	*+7.2*			*+18.5*
Peoria	**$ 283**	**46,344**[c]	**$17,034**		**$ 203**	**$ 207**
Percentage Change from... Oct., 1951	*+45.1*	*+2.5*	*+10.1*	*+12.1*	*−12.7*	*+7.4*
Percentage Change from... Nov., 1950	*−64.0*	*+5.7*	*+0.2*	*+3.3*	*+3.8*	*+4.9*
Quincy	**$ 74**	**6,817**	**$4,923**		**$ 35**	**$ 74**
Percentage Change from... Oct., 1951	*−73.3*	*+4.0*	*+4.6*	n.a.	*−11.6*	*−2.4*
Percentage Change from... Nov., 1950	*−84.6*	*+2.9*	*+3.1*		*+10.3*	*+23.7*
Springfield	**$ 338**	**24,807**[c]	**$13,277**		**$ 86**	**$ 184**
Percentage Change from... Oct., 1951	*−7.4*	*+6.9*	*−0.6*	*−28.6*	*−8.2*	*−5.6*
Percentage Change from... Nov., 1950	*−35.9*	*+24.5*	*+6.0*	*+4.6*	*+3.6*	*+6.1*
SOUTHERN ILLINOIS						
East St. Louis	**$ 137**	**11,666**	**$9,163**		**$ 138**	**$ 54**
Percentage Change from... Oct., 1951	*−14.9*	*+1.8*	*+0.2*	n.a.	*−17.0*	*+10.4*
Percentage Change from... Nov., 1950	*+57.5*	*+15.1*	*+5.0*		*+6.9*	*+9.4*
Alton	n.a.	**9,955**	**$4,771**		**$ 29**	**$ 28**
Percentage Change from... Oct., 1951		*−4.9*	*+6.3*	n.a.	*−3.0*	*+3.2*
Percentage Change from... Nov., 1950		*−5.0*	*+8.3*		*+9.0*	*−3.9*
Belleville	**$ 28**	**4,807**	**$4,234**		n.a.	**$ 38**
Percentage Change from... Oct., 1951	*−96.8*	*+7.2*	*+7.1*	n.a.		*−20.9*
Percentage Change from... Nov., 1950	*−80.7*	*+10.8*	*+2.8*			*+16.7*

Sources: [1] U. S. Bureau of Labor Statistics. Data include Federal construction projects. [2] Local power companies. [3] Illinois Department of Revenue. Data are for October, 1951, the most recent available. Comparisons relate to September, 1951. [4] Research Departments of Federal Reserve Banks in Seventh (Chicago) and Eighth (St. Louis) Districts. [5] Local post office reports.

[a] Total for cities listed.

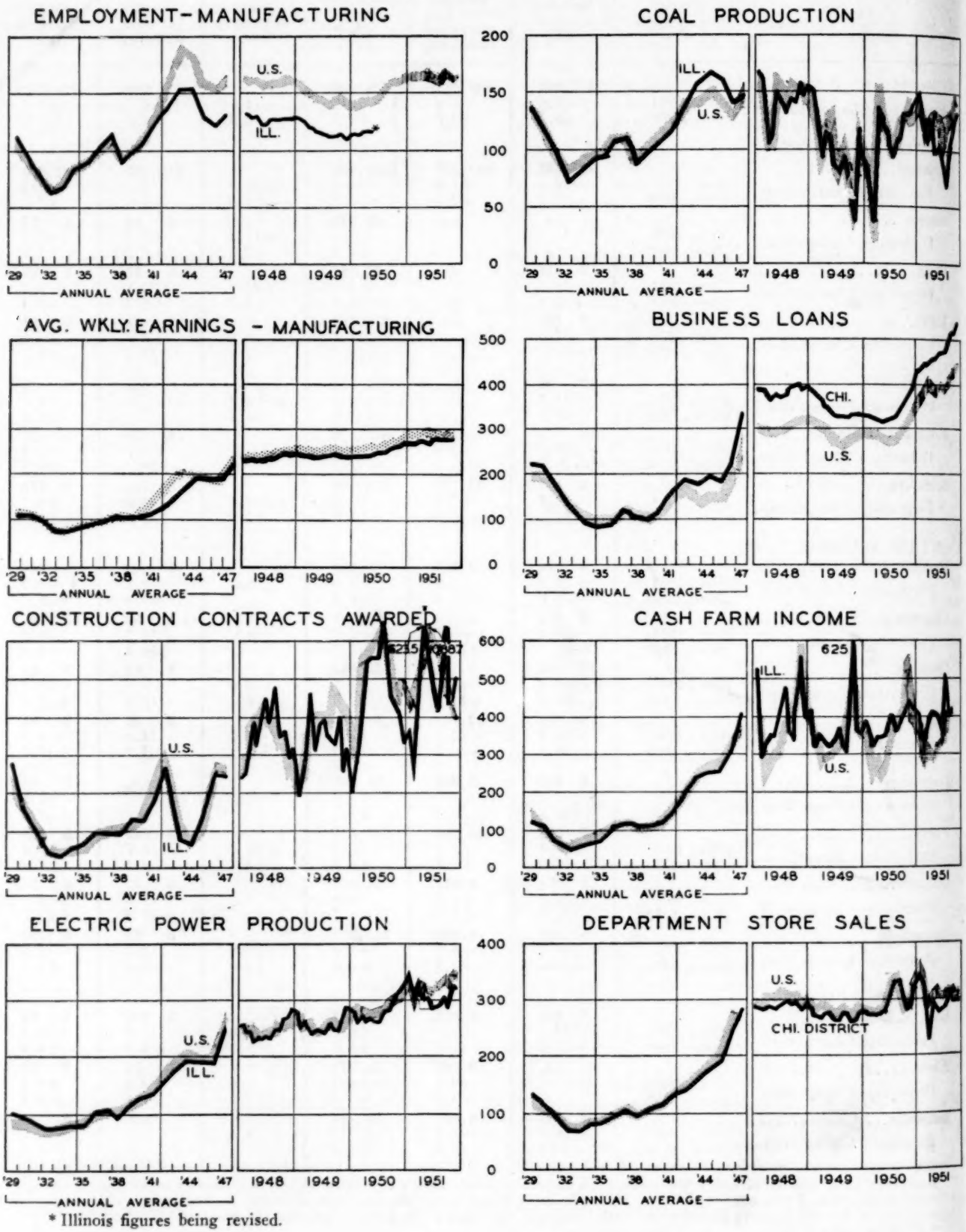
[b] Moline only.

[c] Includes immediately surrounding territory.

n.a. Not available.

INDEXES OF BUSINESS ACTIVITY

1935-1939 = 100



* Illinois figures being revised.